

FISCAL NOTE

HB 3286 - SB 3549

February 26, 2008

SUMMARY OF BILL: Exempts real estate licensees and brokerage firms from paying the business tax.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Exceeds \$808,600

Decrease Local Revenue – Exceeds \$597,700

Assumptions:

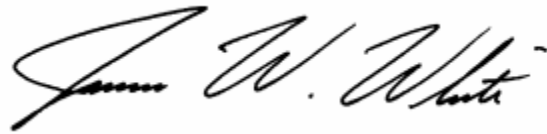
- According to the Department of Revenue (DOR), there is no comprehensive data available in the Department from which to derive estimates for the fiscal impact of this bill. DOR indicates that such data must be extrapolated from outside sources.
- According to DOR, and based on the Economic Census of Tennessee, revenues of real estate offices, excluding the rental and leasing business, is approximately \$1.0 billion per year.
- No data pertaining to brokerage firms could be obtained for the purpose of this fiscal note. As a result, any impact estimated as a result of the proposed exemption for real estate licensees will be preceded by the language “exceeds” to account for the impact attributable to brokerage firms.
- DOR indicates that credits and deductions are available for other certain taxes paid and estimates the extent of credits and deductions to be approximately 25 percent of gross revenue.
- The tax base applicable to real estate licensees is estimated to be (\$1.0 billion x [100% - 25%] = \$750.0 million) per year.
- The business tax is assessed at three-sixteenths of one percent of total gross revenue.
- The total decrease of business tax revenue applicable to real estate licensees is estimated to be \$1,406,300 ($\$750,000,000 \times \frac{3}{16} \times 1.0\% = \$1,406,250$) per year.
- 57.5 percent of business tax revenue goes to the state.
- 42.5 percent of business tax revenue goes to local governments.

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- The decrease of state revenue is estimated to exceed \$808,600 ($\$1,406,300 \times 57.5\% = \$808,623$) per year.
- The decrease of local revenue is estimated to exceed \$597,700 ($\$1,406,300 \times 42.5\% = \$597,678$) per year.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive style with a large, stylized "J" and "W".

James W. White, Executive Director

/rnc